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THE LONG WORKWEEK IN JAPAN: DIFFICULT TO REDUCE

Summary

Almost four years have passed since the Japanese government first recommended that the long hours put in by the country's labor force, regarded as one of the causes of its chronically huge trade surplus, be reduced to less than 2,000 a year. Through the 1980s the number of hours the typical Japanese worker spent on the job each year topped the comparable figures for other major industrialized countries by a big margin. Time spent working leaves less leisure time and, it is argued by some, holds down consumer spending and imports.

Despite widespread expectations in the 1970s, a drop in the number of hours worked did not happen in the last decade. During the period of slower economic growth after the twin oil shocks of the 1970s, many workers opted for higher wages rather than shorter hours. At the same time businesses -- particularly small and medium-sized companies -- tried to increase sales by producing more, and they did this primarily through longer working hours rather than more efficient use of their work force. In addition, the high cost of leisure in Japan, the six-day school week for children, the small size of most Japanese homes and other factors encouraged people to work long hours.

Moves toward a five-day workweek, less overtime and more paid leave, considered key to reducing hours on the job, advanced briefly in the mid-1980s, but the amount of paid leave taken has declined again. Recent efforts by the Ministry of Labor to promote a shorter workweek reportedly have met with little success. Japan appears to have a long way to go before becoming a member of the American and European workweek club.

Overview

The Ministry of Labor, which calculates how much time people in Japan work each year based on monthly employment statistics, estimates that the average number of working hours peaked at 2,432 in 1960 and then dramatically decreased in the 1960s and the first half of the 1970s to 2,064 in 1975. But, in a sudden, surprising reversal, the figure climbed to 2,100 hours in the late 1970s and stayed close to that number through the 1980s. The 1975 record low has not been broken in the past 14 years, even though Japan's gross national product more than doubled over the same period. Economists expected a reduction in the hours worked to follow naturally from the expansion of the Japanese economy as these gains were distributed through either wage hikes, fewer working hours and/or higher profits. Working hours typically have decreased in European countries in parallel with economic growth.

Table 1 shows a fluctuation of only 22 hours between the highest and the lowest number of hours worked a year (including both scheduled and overtime hours) during the 1976-88 period. Scheduled work peaked at 1,956 hours per employee in 1979 and then gradually declined to 1,933 hours in 1987 and 1,898 last year as more companies (77.6 percent of firms surveyed in 1987 versus 71.3 percent in 1976) switched to a five-day workweek. However, this drop was offset by an increase in overtime from 139 hours in 1976 to 190 hours in 1989. As a

Table 1: Working Hours in Japan, 1975-89*

Year	Total	Scheduled	Overtime
1975	2,064	1,937	127
1976	2,094	1,955	139
1977	2,096	1,952	144
1978	2,102	1,955	147
1979	2,114	1,956	158
1980	2,108	1,946	162
1981	2,101	1,940	161
1982	2,096	1,939	157
1983	2,098	1,937	161
1984	2,116	1,945	171
1985	2,110	1,932	178
1986	2,102	1,930	172
1987	2,111	1,933	178
1988	2,111	1,922	189
1989	2,088	1,898	190

*Based on Ministry of Labor survey of companies with 30 or more regular workers. Part-time workers are excluded from the survey, as are workers in the agricultural and the forestry sectors and public-sector employees.

Source: Ministry of Labor

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result, the number of hours the average Japanese spends on the job in a year has remained almost constant.

International Comparison

An accurate international comparison of annual working hours is difficult because different countries use different methods to compute the statistics. The only common indicators are scheduled and overtime hours worked in a week. Annual hours then are obtained by multiplying the average workweek by 52 and subtracting weekends, national holidays, paid leave and other absences. According to Labor Ministry estimates, the number of hours worked in Japan's manufacturing sector averaged 2,168 in 1987 -- 219 more than in the United States and a whopping 526 hours above the comparable West German figure (see Table 2).

Table 2: International Comparision of Manufacturing Working Hours, 1987

(in days except for total hours worked)

	Total Hours Worked	Nonwork Weekends	National Holidays	Paid Leave	Other Absence
Japan	2,168	85	19	9	3
United States	1,949	104	11	19	6
United Kingdom	1,947	104	8	23	n.a.
France	1,645	104	8	26	16
West Germany	1,642	104	12	29	16

Source: Ministry of Labor

The main discrepancy arises from the higher number of nonwork weekends and paid days of leave in competitor countries. The length of the scheduled workday, calculated by dividing the annual figure by the number of workdays in a year, does not show much difference by country -- 8.1 hours in Japan, 8.13 hours in the United States and 8 hours in West Germany. The same is true for overtime, with Japanese employees averaging 0.93 hour a day in 1987 compared to 0.89 hour for Americans. West German workers put in less than half the overtime (0.4 hour) that Japanese employees did, but on an annual basis the difference in overtime, 146 hours, explains only one-fourth of the divergence in total hours worked a year by the West German and the Japanese labor forces.

Variations in the total number of days worked by full-time employees explain much of the difference. MOL bases the four Western countries' figures on a five-day workweek and paid leave of about 20 days. The distinctive characteristic for Japan is that workers have fewer days off -- part of Saturday, all-day Sunday, paid leave days and other days of absence. For instance, a typical Japanese manufacturer provides only 85 weekend days off or just 81.7 percent of the Saturdays and Sundays in a year. Moreover, the average Japanese manufacturer gives 9 days of paid leave compared to 19 days for the normal American

business and the 23 to 29 days offered by European companies. On the other hand, Japan's 19 national holidays contrast with the 11 days celebrated by most American firms and the 8 to 12 days set aside by European companies.

1,800 Hours Set as Annual Goal

Facing serious trade friction with the United States and Europe in the early 1980s, the Japanese government established a special committee in 1985 to recommend specific long-term goals that would help Japan deal harmoniously with industrialized as well as developing countries. That committee was the Advisory Group on Economic Structural Adjustment for International Harmony, but it is better known as the Maekawa Commission after its chairman, Haruo Maekawa, former president of the Bank of Japan. One major point of the group's report, submitted in early April 1986 to then Prime Minister Yasuhiro Nakasone, called for reducing working hours to stimulate personal consumption, which, in turn, would raise the standard of living in Japan and, presumably, trim the country's trade surplus.

The report urged the private sector to bring working hours per year into line with those of European countries and the United States, particularly through early implementation of a five-day workweek. Similar efforts should be made in the public sector, the report said. It also encouraged workers to take more of their paid leave. Based on these recommendations, the government included in its five-year economic plan, announced in late May 1988, a clearly set national goal of 1,800 working hours a year by 1992. To reach this goal the government advocated a 40-hour workweek, based on eight hours of scheduled work a day over the five weekdays.

Before setting 1,800 hours as the national goal the Economic Planning Agency analyzed 1987's average of 2,111 working hours. EPA found that scheduled hours actually ran 7 hours 25 minutes, 35 minutes less than the standard 8 hours, and that overtime averaged 40 minutes a day. If 1987's actual nonworking weekends of 79 days and paid leave of 8 days were increased to 104 days and 20 days, respectively -- similar to what other advanced countries provide -- the number of workdays in a year would be reduced by 37 to 223, leaving the 15 national holidays and the three other absent days constant. (Workers in the manufacturing sector get more national holidays than employees in other parts of the economy.) Multiplying 7 hours 25 minutes and 40 minutes by 223 days yields about 1,654 scheduled hours of work and 149 overtime hours for a yearly total of 1,803 hours. Therefore, by implementing a five-day workweek and providing 20 days of paid leave, EPA figured that Japan could achieve increased leisure time with 1,800 hours of work a year.

Progress of Five-Day Workweek

Even before the five-year plan announced in 1988, the Economic Council, attached to the prime minister's office, had suggested a goal of 1,800 working hours in a mid-May 1987 report on structural adjustment. Based on this recommendation, the Ministry of Labor in September that year revised the Labor Standards Law, which regulates weekly working hours in the private sector, and recommended an upper limit of 40 hours of work a week. In practice, though, the law recognizes 46 hours a week as legally permissible. The administration backed off from the 40-hour limit as too hard for small and midsized companies to implement immediately and suggested the 40-hour week be introduced gradually, taking into account the potential impact on the economy.

According to MOL's plan, a 44-hour limit for nonfinancial private companies will be introduced in 1991 before the ceiling drops to 40 hours in 1993. For government employees the 44-hour workweek went into effect at the start of 1989, allowing civil servants to take every other Saturday off. Financial institutions, such as banks and brokerage houses, moved to a five-day workweek starting in February 1989.

Because of these changes, the Labor Ministry said at the end of January, the number of working hours in 1989 decreased by 23 to 2,088 hours. In particular, scheduled hours dropped to 1,898 -- the first time that figure had fallen below the 1,900-hour level -- reflecting the move toward a five-day workweek by the government and financial organizations. Although overtime reached a record high of 190 hours last year (attributable to Japan's third-longest economic expansion), the decline of 23 hours in the combined tally was the biggest since 1975. However, to reach the goal of 1,800 working hours a year by 1993, time on the job must be cut by another 288 hours, or 96 hours a year, over the next three years.

Small and midsized companies are the main bottleneck to a five-day workweek. The 1989 white paper on labor pointed out that in 1987 only 5.2 percent of companies employing 30 to 99 people had switched to a five-day workweek compared to 49.9 percent of firms with a work force of 1,000 or more. However, this figure looks much better than the estimate made last year by a business association for small and medium-sized companies. That survey, released in mid-December, indicated that just 1.8 percent of the group's members had gone to a five-day workweek. It also revealed that only 37.1 percent of the surveyed companies planned to reduce working hours within the next three years; 62.1 percent of the firms replied "no plan" or "not decided."

Small businesses, which have been hit the hardest by labor shortages brought about by the current economic boom, generally have put much more emphasis on higher wages than on shorter working hours. They point to the effect on relations with customers and suppliers and the impact on sales as the main obstacles to implementing a five-day workweek. Management factors, such as the shortage of workers and managers, count less in their opposition.

In addition to management's reluctance to grapple with the problem of cutting working hours, the labor movement has not made a shorter workweek a bargaining priority. Until last year no major trade union had demanded a reduction in the number of hours worked. Through the late 1970s and the early 1980s unions considered wage increases to be more important than fewer hours on the job, especially when economic growth slowed after the second oil crisis.

In a 1988 report a Labor Ministry advisory group broke down productivity gains in different countries and showed that in Japan 0.6 point of the average annual productivity growth of 2.3 percent in the 1980s went to profits and 1.7 points to wage increases with no change in working hours. In West Germany, however, the 1.8 percent average yearly rise in productivity was divided among higher profits (1.1 points), increased wages (0.2 point) and shorter working hours (0.5 point). The results were similar in France, where the 2.8 percent gain was divvied up 0.5 point for profits, 1.2 points for wages and 1.1 points for working hours.

There are several reasons why Japanese workers have not been interested in working less. Some analysts point to the traditional work ethic in Japan,

which equates work with virtue and leisure with undesirable behavior. However, this philosophical interpretation plays a very minor role in explaining the situation today. A fundamental reason Japanese workers do not push for a five-day workweek or more paid leave, it appears, is because the infrastructure for leisure is inadequate.

For example, a scarcity of sports facilities, like tennis courts or pools, narrows the opportunities for weekend exercise. Moreover, if the facilities are privately operated, they are much more expensive than in the United States or elsewhere overseas. Free local or national parks also are in short supply. When parents want to take their children out for entertainment, choices are limited to very expensive amusement parks like Tokyo Disneyland or movies. Driving is costly because of high gasoline prices and high charges for toll expressways. Recreational shopping also is costly given Japan's generally high prices.

From these and other examples many Japanese conclude that it is too expensive to go out on the weekends. And even if they are inclined to go out and spend money on recreation, pandemic congestion makes them think twice. As a result, numerous Japanese prefer to stay at home and watch television, listen to music or read, but because houses and apartments in Japan have been described as "rabbit hutches," spending more time at home often is not much of an attraction. In short, high leisure costs, inadequate leisure infrastructure and cramped quarters are all disincentives to shorter working hours.

Paradoxically, many Japanese also have not learned how to enjoy the weekend because the five-day workweek is such a recent phenomenon. Another factor is that since children go to school on Saturday mornings in Japan, a family cannot go away until school is out even if the parent has Saturdays off. When polled in 1986 by the Prime Minister's office, 62.3 percent of the households surveyed supported the current extended school week. Their first concern was that children might not learn enough if the school week were limited to five days or that the competitive skills needed to pass difficult entrance examinations -- required for prestigious kindergartens as well as top universities -- would not be honed adequately. According to a 1986 government survey, 20 percent of the parents responding answered that they would send their children to a weekend private cram school if regular schools were closed on Saturdays. Many educators, especially school principals, support these concerns. They also point out that schools would need more playgrounds and sports facilities if they had to condense all activities into five school days. All these elements work against fewer hours on the job.

Paid Leave

The average amount of paid leave provided each year in Japan varies by the size of the company, ranging from 13.1 days for small firms to 17.1 days for large corporations with midsized companies at 14.5 days. These numbers changed very little in the 1980s. Between 1980 and 1988 employees of small businesses got an extra day off, people working for medium-sized firms received 0.7 day more and the work force at large corporations was given an additional 0.5 day off.

Fewer Japanese, however, were taking all the paid leave to which they were entitled at the end of the decade than at the beginning. At small companies the ratio dropped from 58.6 percent in 1980 to 48.9 percent in 1988, while

at midsized firms it fell from 60.9 percent to 49 percent and at big operations from 62.7 percent to 51.5 percent. This meant that the actual amount of paid leave taken by employees of small companies declined from 7.1 days in 1980 to 6.4 days in 1988; the comparable figures from medium-sized firms were 8.4 days and 7.1 days and those for large business were 10.4 days and 8.8 days. The problem with paid leave is much more serious than that of the five-day workweek because of this drop in usage in recent years.

Almost the same reasons apply to paid leave that affect the five-day workweek. Furthermore, many workers have told pollsters that they do not have the freedom to take long vacations, even when top management suggests they do. They say that the importance of maintaining relations with business colleagues or suppliers virtually keeps them from taking more than three days of vacation. A worker who takes longer leaves is suspected of thinking that the job or the business relationship is unimportant. Polled workers who receive six days of paid leave or less a year say that they fear taking time off would cause troubles for their colleagues. Other answers revolve around a similar theme: the office atmosphere does not encourage being away from the job; the boss is reluctant to allow people to take their leave; and a worker will lose esteem by taking time off. Since sick leave usually is included in the total number of days of paid leave, the second-largest response is that workers want to keep their leave in reserve for illness or unavoidable errands.

Japanese commonly use three days of paid leave at a time to go traveling, either domestically or overseas. According to 1984 estimates by the Ministry of International Trade and Industry, average daily expenditures by Japanese families for vacations or traveling were Y17,900 ($127.86 at Y140=$1.00), four times higher than the Y4,300 ($30.71) spent in France and six times the Y3,100 ($22.14) figure for West Germany. The high cost for the vacationing Japanese family primarily relates to the lack of infrastructure and high prices in Japan. An interesting survey by a Japanese insurance company in 1988 compared how much Japanese businessmen and foreign businessmen in Japan would pay for a one-week vacation if they had to buy time off from their company. The average figure for the Japanese respondents was Y71,047 ($507), whereas foreigners would go as high as Y262,700 ($1,876). This shows how much lower Japanese workers seem to rate paid time off than people in other countries. For various economic and cultural reasons, neither workers nor management considers paid leave to be an essential aspect of work life in Japan.

Overtime Working Hours

Overtime is on the rise in Japan. While the average number of extra hours workers put in each year dropped from 200 in 1970 to 127 in 1975, overtime headed up again in the last decade, reaching 162 hours in 1980, 178 in 1985 and 190 in 1989. The increases in the last two years can be explained partly by the economic boom, but that explanation does not work for the rest of the 1980s.

The most probable economic reason for the rise in overtime is the cost differential between hiring new employees and having existing workers put in extra hours to meet an increased demand for labor. The 1990 economic white paper sheds light on this gap. The average hourly cost of a new hire in the manufacturing sector is estimated to be Y2,340 ($16.71). If, however, workers already on the payroll work more than their scheduled hours, the average hourly

cost decreases in parallel with the number of overtime hours, such as Y2,330 ($16.64) for five overtime hours down to Y2,290 ($16.36) for 30 hours under the current payment system for overtime. Therefore, it is less expensive for management to get the additional labor needed through overtime than by hiring new employees.

In Japan the rate for overtime is set at 25 percent more than the payment for regular hours. Many economists argue that this premium is too small to discourage employers from using overtime to meet the demand for extra labor. They add that the incentive to hire more workers would expand if overtime were paid at time-and-a-half as it is in the United States or even a higher rate. This proposal, however, faces strong opposition from Japanese management since it would increase the cost of doing business. Adjusting the number of employees on the payroll in response to the ups and downs of the business cycle is very hard, business leaders contend. It is particularly difficult to lay off workers during an economic downturn because lifetime employment is expected by full-time employees in big Japanese companies.

Employees also factor in overtime as part of their total annual pay, and they do not want to reduce overtime to the extent that their financial plans, such as buying a house or traveling, would be disrupted. Unconvinced of the benefits of leisure and aware of its cost, both employees and employers are reluctant to cut hours. While the 190 hours of overtime put in by the average worker in 1989 was a record, economists do not expect the amount of overtime to keep rising in the future. As the current economic boom begins to lose some of it steam, they note, overtime will decrease. But labor experts add that there are no grounds for optimism about a drastic reduction in overtime without a significant change in the underlying economic rationale.

Economic Impact of Reducing Working Hours

Some estimates of the economic impact of reducing working hours in Japan are available. The Economic Planning Agency, for example, has estimated how much consumption would increase if the five-day workweek became standard practice. Its initial report, released last October, indicated that the addition of one nonworking day a year would boost the average propensity to consume by 0.059 percent, while a switch to a five-day workweek would raise annual spending per household by Y59,433 ($424.52). (In 1988 the average Japanese household spent about Y3.5 million or $25,000.) Multiplying Y59,433 by the 28.72 million households in Japan puts the national annual increase in consumer spending at about Y1,706.9 billion ($12.2 billion).

Further refining its work, EPA predicted last November that yearly household spending would go up Y58,000 ($414.29) with the introduction of a nationwide five-day workweek and Y81,000 ($578.57) by combining 20 days of paid leave with a five-day workweek. At the aggregate level these two scenarios worked out to a projected gain in consumption of Y1.6 trilliion ($11.4 billion) and Y2.2 trillion ($15.7 billion), respectively. Using a Keynesian multiplier, EPA estimated that total national output would expand by Y3 trillion ($21.4 billion) a year if a five-day workweek were adopted and by Y4.1 trillion ($29.3 billion) if workers also were given 20 days of paid leave a year. (Japan's 1988 gross national product in current prices totaled Y367.4 trillion or $2.6 trillion.)

The EPA reports did not calculate the impact of a five-day workweek or more paid leave on Japan's trade surplus, but EPA economist Soji Kimura, using

the 1987 national income account, privately has estimated that if the typical Japanese worker put in 100 fewer hours a year, the trade surplus, which totaled Y8.9 trillion/$64.4 billion in 1989, would be cut by Y4 trillion ($28.6 billion). Last year's exports of Y37.8 trillion/$275.2 billion would be reduced by Y1.7 trillion ($12.1 billion) and imports, at Y29 trillion/$210.7 billion, increased by Y2.3 trillion ($16.4 billion), according to Mr. Kimura, who was quoted in a recent issue of the Japanese weekly, Economist. This implies that if annual working hours in Japan are reduced to the goal of 1,800 within a few years, about 90 percent of Japan's current overall trade surplus would disappear.

Conclusion

A MITI advisory group recently released a new indicator of labor productivity that underscores the cost of long working hours. In an early February report the group disclosed that hourly productivity in Japan (GNP per capita divided by the average number of working hours a year) is lower than that of other advanced countries -- 71.3 percent of the U.S. figure, 73.9 percent of France's and 76.8 percent of West Germany's. The lower hourly productivity statistic for Japan is the result of the long hours Japanese workers put in, the group said. It suggested that the government provide tax and other financial incentives for small companies to shorten the workweek. The report emphasized that fewer working hours do not decrease but rather increase labor productivity. The Labor Ministry has said it supports this argument based on its finding that a 1 percent reduction in working hours increased productivity 0.9 percent from 1968 to 1984.

The slow pace at which change is occurring in Japan in the length of the workweek, the amount of paid leave and the number of hours of overtime has caused frustrations to accumulate. Former Keio University Professor Kotaro Tsujimura recently advocated that corporations should be legally required to reduce working hours because neither the market mechanism nor goodwill has been effective. Whether his prescription is the right one is unclear. But without some drastic reform or change it certainly will take a long time to cut working hours, which are deeply rooted in the structure of the Japanese economy as well as in the historical and cultural background of Japanese society.

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The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.